

Notes for Remarks by Kevin Lee to the House of Commons Standing Committee on Finance

WEDNESDAY, FEBRUARY 5, 2020

Thank you, Mr. Chair.

As you know, CHBA is the voice of Canada's residential construction industry – new construction, renovation and land development. With over 9,000 member firms across the country we represent an industry that is the source of 1.2 million jobs and 160 billion dollars in economic activity.

The recent election campaign confirmed how concerned Canadians are about housing affordability. The dream of homeownership is still very much alive in Canada, and the next generation, and new Canadians, are very concerned about it slipping away. But it doesn't have to be this way—we can protect the financial system, and in fact strengthen it, through policy adjustments around housing.

We know that there have been successive demand-side measures to address financial system vulnerabilities. We also know these have had impact—the problem is, that impact in some cases has been severe, and it is time to recalibrate accordingly.

CHBA estimates 147,000 potential buyers have been knocked out of the market by the stress test. About half of those are first-time buyers. Ironically, while arrears rates have gone up some in struggling areas, overall they continue to be below one quarter of one per cent in Canada nationally, and young Canadians have the lowest arrears rate of any cohort. The mortgage system is penalizing the wrong group.

We therefore continue to recommend adjustments to the stress test to reduce it the longer the term of the mortgage. Leave it at 2 per cent for one-year terms, but decrease it the longer the term, down to .75 percent for 5-year terms, and to encourage even longer term mortgages—as promoted by the Bank of Canada—there is no need to stress test 7 and 10 year terms.

This will still maintain financial system stability, promote longer mortgage terms, and help more well-qualified Canadians access homeownership.

We are pleased to see the federal government has committed to review the stress test with a view to making it more dynamic. We do urge the Minister to expand consultations beyond just financial institutions to ensure industry voices are part of the review.

In addition, regarding first-time buyers, we still do recommend a return to 30-year amortizations for insured mortgages.

The Millennial generation, who are now well into their careers, are ready to get a foothold into the housing market and can do so responsibly. Given that most will move-up the market too, the idea that they shouldn't have a 30-year mortgage is a fallacy, since most will take on another 25-year mortgage in a move-up home in a few years anyway if all goes well. Also, the average time to pay off a 25-year mortgage is only about 17 years in Canada. Again, we are penalizing the wrong group when we prevent entry into homeownership.

Now that all said, demand-side measures have been a problem but fixing them alone is not a solution by itself. Prices are affected by both demand factors and supply. We need federal government leadership to work with provinces and municipalities to increase market-rate housing supply, where we see such shortages and resultant price increases that are rightly so concerning to Canadians.

We need more of the homes that meet Canadians' needs, in the places they work and want to live. This certainly includes units for both ownership and rental. Rental can be best spurred on by tax reform, but I'll leave that for another time. Governments at all levels need to target getting more housing supply online, using the various levers at their disposal.

The problem is, 2019 saw a decline in housing starts of over 4,000 units nationally compared to 2018, at a time when all acknowledge we need more, not less housing supply. We are also seeing severe declines in the value of building permits in Western Canada, contributing to weakening local economies, and job losses in residential construction, where those jobs and economic activity are needed most. It is time to enact policy to help turn that around.

Like housing affordability, climate change emerged as a top-of-mind issue for Canadians during the election. Undoubtedly, there's an important role that housing can play. But smart policies are required to ensure that addressing climate change doesn't further erode housing affordability.

CHBA and our membership have always lead in energy efficiency, and we continue to do so with our net zero home labelling program. Our leading-edge builders are pioneering this space to find the best approaches to meet these goals, building net zero houses for Canadians that want to invest that way in their homes. But the 'affordability gap' that still exists must be closed before code changes are made. Further R&D and innovation is needed for higher levels of energy efficiency to be affordable for all.

We are therefore calling for government not to go to extreme levels of energy performance in code until they are affordable for consumers. We are also calling for affordability to be enshrined as a core objective of the National Building Code, for energy efficiency and all other code changes.

Very importantly, CHBA welcomed the recognition in the election campaign of the impact that home energy retrofits can have in helping to meet Canada's climate change goals. We have long called for home energy labelling at resale and a energy retrofit tax credit, both using the government of Canada's EnerGuide labelling system.

We encourage more support for the EnerGuide Rating System for Houses. Expanding and promoting this system as the backbone of all currently proposed housing incentives, tax credits, and other energy efficiency initiatives by governments, utilities and all other organizations to build on the same system to maximize results. For instance, the new interest-free energy-retrofit loan program should certainly require use of the EnerGuide Rating System.

Election night sent a clear message: Canadians want a government that works together and works for them. Budget 2020 is an opportunity to do just that. All parties rightly identified housing affordability, homeownership and climate change as key concerns in their platforms. CHBA looks forward to working with you to bring solutions to these key issues for Canadians.